

BUDGET CUTS AND  
ENVIRONMENTAL PROGRAMS; 1984-85

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## PREFACE

The following report is an update of a previous 1982 CURA report which examined the impact of federal budget cuts on Minnesota state environmental programs.<sup>1</sup> Both are part of a CURA series which began in the spring of 1981 in response to the fiscal constraints Minnesota was then experiencing. At that time also, critics were warning that Reagan's budget cuts and policy changes would destroy the federal environmental machinery with no guarantees that the states can or will pick up the pieces.

The picture today is not easily summarized. The recent 1984 spending bills suggest that the Reagan administration has in certain areas backed off from its initial budget slashes. Minnesota also is said to have survived the budget crises with its environmental programs intact. However, the impacts from reducing resource management activities as a result of budget reductions are often delayed. Also, inflation colors any simple comparison of budget figures between years. Thirdly, state programs are affected not only by funding levels, state or federal, but also in less direct ways: by changes in federal policy or by changes in the federal government's own environmental services.

Neither should the picture be seen as unilaterally bleak. All the program managers interviewed for this report described more cooperative interagency projects and needed changes to improve efficiency that were adopted as a result of fiscal constraints. Also, federal monies are often dispersed to the

states throughout the year and through several channels beyond the initial annual appropriations.

Two questions, then, must inform the task of updating the previous CURA report. Minnesota has had two years to respond to federal initiatives. What is the state's perception of the prospect that past budget trends will continue? How have program managers altered their thinking in preparing work plans? The agencies covered in this report are those used in the 1982 report. This report assumes knowledge of those agencies, and does not repeat the full descriptions given previously.

## RECENT CONTEXT

### FEDERAL BACKGROUND

In the first years of his administration, Reagan's initiatives, coupled with the financial and tax limitations of state government, placed environmental programs under great stress. The administration shifted to the state more of the planning and regulatory functions previously done at the federal level. At the same time, it cut back on the grants that states needed to carry out the mandates of the federal laws. Air and water quality grants to states were reduced by 20 percent in 1983, on top of earlier cuts. Grants to manage hazardous waste<sup>2</sup> were cut by 16 percent. The administration also announced plans to eliminate some grants completely in the future. Struggling already with state financial problems, state and local units of government were not in a position to replace federal expenditures for environmental protection.

Even without this guarantee from the states, the Reagan administration began to dismantle the federal environmental machinery. Between 1981 and 1983 fiscal years, with considerable acquiescence by Congress, it reduced appropriations for the Environmental Protection Agency (EPA) by 23.2 percent.<sup>3</sup> Although Congress voted \$75 million for state recreation grants (Land and Water Conservation Funds or LAWCON) in 1983, the program faces persistent attempts by the administration to have it eliminated; it was zero-funded by Congress the year before. Research and development at EPA suffered the worst fate at the hands of the administration and Congress. In fiscal year 1981, total research

and development appropriations for contract work outside the agency were \$254 million. This figure dropped steeply in 1982 to \$154 million and again in 1983 to \$119 million.

Continued efforts to shrink the EPA did founder somewhat on the bad politics of former administrator, Anne McGill Burford. The administration's original appropriations request for fiscal year 1984 envisioned another, rather sharp decline in funding for EPA's operating programs (except for the Superfund program and the waste treatment construction grants). Responding to the new mood on Capitol Hill after Burford, Reagan approved the recommendation of the new administrator, William Ruckelhaus, to add \$16.5 million to the administrations's original figure. Additionally, \$100 million was added to the proposed spending for the federal superfund (established in 1980 to clean up abandoned hazardous waste sites). If the agency gets the \$1.1 billion that the administration has now proposed, the added money would boost particularly federal grants to states and allocations for pollution control and reseearch. State grants would be increased 35 percent over the administration's initial request; abatement, control and compliance, 34 percent; and research, 28 percent.

Whether the increases are significant is open to question. The \$1.1 billion budget would put the agency's purchasing power back to that of 1974, as Rep. Gerry Sikorski pointed out during the House debate. And, as Sikorski noted, since then the EPA has had to contend with five additional laws: the 1974 Safe Drinking Water Act, the 1976 Toxic Substances Control Act, the 1976 Resources, Conservation and Recovery Act, and the 1977 amendments to the Clean Air Act and the Clean Water Act. In short, some

believe, the budget trend may have been turned around, but there is still a long way to go.

#### MINNESOTA BACKGROUND

In Minnesota, as in other states, the federal efforts to have state and local governments assume more of the planning and regulatory functions came at a time when agency budgets already reflected the effect of continued recession. Over the past several years, program managers had already streamlined their programs and eliminated inefficiencies. Widespread practices included not filling vacancies, eliminating nonessential services, and shifting enforcement resources to major problem areas. These past efforts made it difficult to absorb additional cutbacks in federal and state support. In the 1981-83 biennium, state agencies were required to cut their budgets by between 12-14 percent to accommodate projected income reductions.

The experience of the state budget crises was at the root of Governor Perpich's inaugural objectives for the 1983-85 budget strategy. Stressing realism and stability, Perpich called for increased taxes, more conservative projections of revenue, a built-in surplus, cutbacks in state expenditures, and specific budget priorities. With the exemption of certain high priority programs, state environmental agencies were encouraged to retain the 1982 budget reductions and justify any changes from that level.<sup>5</sup> Program managers, it seems, were conservative in their budget requests and generally characterize their operations as being in a "maintenance mode," i.e., maintaining critical and

mandatory functions, with little or no expansion in other services. The overviews of individual programs contained within this report will illuminate what these critical functions are perceived to be.

In total, the 1983 Legislature approved over \$33.6 million in funds for programs dealing with land and water resources in the 1983-85 biennium. This is just slightly less than it approved for programs in the same area in the 1981-83 budget.<sup>6</sup> With few exceptions, it appears the state did not pick up the "slack" from most federal cutbacks. Programs with increased appropriations from the previous biennium may be less replacement monies than new priorities.

Priority environmental programs are those that relate to recent legislation or to Perpich's priorities for economic development and for physical plant and infrastructure restoration. The Timber Management Act of 1982, the Waste Management Act of 1980, the Acid Deposition Act of 198 , and the 1983 Comprehensive Environmental Response, Compensation and Liability Act ("Superfund") all legislated monies for the appropriate divisions within PCA, DNR, or WMB which are responsible for carrying out the mandates of the laws. Mineral and peat development was the focus of substantial increases, although not as much as originally envisioned by the Governor. Maintenance funds were restored to the state parks. Other major legislative actions, in addition to setting up the Environmental Quality Board as a permanent water and land resources coordinating body, included the initiation of a major study on the financing of capital improvements. That study will include a



look at state water and sewage treatment financing needs, an important issue given the figure reported last year of an additional \$832 million needed for new or improved treatment facilities in order to meet the national goal.

## POLLUTION CONTROL AGENCY

The Pollution Control Agency (PCA) is organized with two support areas and three programmatic operating divisions, water quality, air quality, and solid and hazardous waste. The PCA administers these programs in partnership with the Environmental Protection Agency (EPA). While the programs are federally mandated, the EPA has delegated numerous authorities and responsibilities to the PCA for implementation and administration. Most essentially, PCA administers the state and federal permitting programs and the wastewater facility construction grants for municipal wastewater treatment plants, and it approves engineering plans to assure compliance with state and federal rules. The EPA, in turn, provides funds which in the past represented approximately 45 percent of the agency's operating resources. For hazardous waste management, however, the states are allowed - and encouraged - to substitute their own authorized program for the EPA's. An important priority for PCA this biennium is to obtain that program authorization.

The relationship between PCA and EPA has changed somewhat over the years. With reduced federal presence in research, regulatory standards, and close overview, PCA believes it has maintained its own perspective on setting standards and keeping abreast of current and new pollution problems. This will be tested when the federal amendments to the Clean Air Act and the Clean Water Act will be reviewed in 1983-85. Changes to these acts may alter federal direction or modify the programs. As a result, agency rules and permits may have to be amended to

correspond with the changes.

The agency's 1982-83 budget reduction plan required state resources to be reduced by \$1,737.7.<sup>8</sup> By reordering programs and allocations, this reduction amount was accommodated; the agency's recent budget request, with the exception of costs for hazardous waste rule-making, did not ask for those funds restored. Priorities included hazardous waste and enforcement activities at the expense of technical assistance and the water quality division. Compliance monitoring and permit issuance was cut back; smaller pollution sources were given less attention as resources were diverted to major problems.

a. Budget overview.

The current picture of federal and state budget figures suggests that PCA has been able to maintain status quo. Programs with dedicated monies, i.e., hazardous waste and acid rain activities, were of course able to expand. Nonetheless, in certain specific areas, PCA's ability to respond to and to anticipate problems has been somewhat reduced.

Federal financial assistance for the water and hazardous waste programs is, optimistically, projected at the 1982 level for 1984 and 1985. It is anticipated that air program assistance will be reduced 6 percent from the 1982 allocation. Because of inflation and required salary increases, these figures result in less resource value. Wastewater treatment construction grants, the largest element of the EPA's grant to PCA, continue to drop, from approximately \$78 million in 1981 to \$42 million in 1984. Federal aid for solid waste activities has been discontinued.

PCA TABLE

C

## WATER QUALITY

Federal funding is projected to remain fixed at the 1982 level, with no allowance for inflation or salary increases. This will reduce the level of administrative service and technical assistance, as the ten positions funded with this money are eliminated. In response to state budget reductions amounting to \$399.8 million, service-related tasks throughout the division are and will be diminished so that the critical regulatory activity can be maintained. The division will also increase efforts to achieve voluntary compliance so that emphasis can be directed to major discharges/violators. While the state appropriations did reflect expected salary increases, it involved general reductions of \$289.4 million in fiscal year 1984 and \$293.4 million in fiscal year 1985. These reductions will be accommodated by limiting the number of permit hearings held each year and by providing less analytical support for the permitting process. The latter may affect the defendability of some permits. The negotiation process rather than permit hearings has already been used in Ely, Worthington, and Dulton.

Grants for wastewater treatment plants are made to local governments in accordance with a PCA priority list and are dependent on the level of available funds. The federal government provides 75 percent of the cost; in Minnesota, the remaining 55 percent of the cost is divided between the state and local governments, 15 percent and 10 percent, respectively. The 1981 amendments to the federal Clean Water Act dropped the federal level of funding from 75 percent to 55 percent starting

in October 1984. Unless the Minnesota legislature decides otherwise, the state's share will remain 15 percent. Local governments will have to provide 30 percent of the cost.

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b. Program comments.

As reported in last year's CURA report, changes in the grants program will have the greatest impact on more than 400 small communities in Minnesota. Much of the federal money spent on sewage treatment since 1972 has gone to the state's largest cities, primarily because their plants treat two-thirds of Minnesota's sewage. In addition to absolute funding cuts, the program is further hindered by increasing responsibilities delegated to PCA and by the procedural detail now required by EPA for issuance of the grants. While EPA has retreated from its requirement for a cost-benefit analysis for the proposed projects, it still maintains that PCA must develop site-specific surveys and standards for all relevant discharges. The method outlined in their revised rules is demanding in both money and especially time. Delays also add to the cost due to inflation.

Division director Barry Schade believes that, in part, EPA's own diminished regional staff may explain their requiring precise justifications to help their second-guessing. EPA has also been encouraging the states to lower standards for treated streams in order to save money; for example, by letting minor streams be unprotected or lowering the expectation that all streams be of highest quality for fishing. He adds that EPA may be slowing the process until the program is phased out entirely. Were this the case, one year's appropriation would have to cover the five

years that construction projects usually take. New thinking on the benefits of public works projects may save the program, however.

PCA has hired a consultant to examine the wastewater treatment programs and, in particular, the state's role in light of the decline in federal funding. Options include increasing the state share of the cost, developing a loan program through the state's bonding authority, or changing the tax structure to make investment in municipal bonds or the building plant more attractive. PCA believes greater attention must be placed on providing technical assistance for the operation of the facilities, for both those who were granted money and those who were not. As a first effort, PCA is developing a municipal compliance strategy and a task force on municipal financial alternatives. However, working with the community, evaluating their finances, and talking to the council all require time and staff.

With the strained resources, division staff continue to adjust by reducing compliance monitoring, delaying permit renewal, and giving less attention to plan and permit review. Small industries are being left on their own. More voluntary compliance is being achieved, PCA says; thus greater emphasis is being placed on the compliance of major point source dischargers. While planning is completed for a program on "non-point" sources of water pollution (runoff control), PCA has been unable to implement it. (Senator Dave Durenberger has introduced federal legislation proposing a \$600 million program, which would cover this.) The division is also behind in correcting the combined

sewer overflow problem. Currently 88 bypass points are going directly into the river. Money for toxics monitoring of aquatic habitat was reduced in half, causing the division to decrease the frequency and content of analyses, such as the number of parameters examined. Since 1977, with support provided by the LCMR, the agency has administered a grant program to local units of government to restore and protect publicly-owned freshwater lakes. As the federal government did not appropriate funds for this program, the state's grant program has been discontinued.

In addition to the cuts in wastewater grants, the federal government is reducing funding and/or shifting additional responsibility to the states in several other water pollution control programs. PCA is handed more responsibilities as the Corps of Engineers pulls out of dredging certification. EPA has essentially pulled out of enforcement, Schade says. The enforcement program at the regional office, now dismantled, once provided backup and problem solving support, technical advice, and computer support.

On the other hand, the limited resources created the need to introduce word processors and to redefine clerical functions. Professional staff is doing less administrative and clerical duties, allowing more time for the professional tasks for which they have expertise. The level of service may also have improved; less time seems to be required to revise materials.



## AIR QUALITY

### a. Budget overview.

Federal assistance for the air quality division is expected to be reduced by 6 percent from the fiscal year 1982 level. (One exception is the special project funding for the fugitive dust study.) When coupled with the 1981-83 state budget reductions, amounting to \$266.2 million and six staff positions, the result may be to discontinue sixteen positions in the 1983-85 biennium; this represents a staffing change from 64 to 44, or a reduction of 30 percent.

The federal government eliminated grants to assist local monitoring efforts which are a part of the state system and the state implementation plan (SIP). Local governments were responsible for 50 percent matching funds. The cessation of the federal funds will diminish the agency's monitoring activities. Some stations will be closed; others will be maintained by the agency's regional staff. However, PCA notes that local participation would likely subside even if funding was not reduced, since matching local funds would be required.

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### b. Program comments.

The PCA has tentatively re-examined the division's strategies so as to maximize its effectiveness. It speculates that compliance monitoring, emissions inventories, and coverage of monitoring stations may be cut back. On-going planning efforts, such as the noise program rule development, would be delayed. Wherever possible, permit authority for open burning may be delegated to the counties, (Open burning within the

boundaries of a town or city outside the metro area was directed to local government by 1982 legislation.) The toxic emissions control program is already nine months behind, Michael Valentine, head of the division, says. The division is still in the inventory stage, identifying which pollutants are in Minnesota air and what their sources are. It may have to wait a year before it can consider the new issues of toxic rain (a combination of toxics and acid rain) and dry deposition of acidic components.

The division has been having to do more with less since 1980, says Valentine. Since 90 percent of the budget is staff, not much flexibility exists to improve efficiencies. One larger portion of the budget which will be dramatically changed is that allotted for hearings. The 1982 hearings for ambient air quality standards alone cost one-half of a million dollars out of a \$2.1 million dollar budget. The agency intends to use the negotiation process for upcoming revisions in the permitting application process and permit fees, as well as development of noise rules. The other individual cutbacks in various activities essentially amount to a general trend away from some of the traditional responsibilities of PCA. New programs obviously reduce the level of effort in the old ones. Cutbacks in the monitoring of traditional "criteria pollutants" (TSP or dust, ozone, sulfur dioxide) affects the ability of PCA to know if problems are cropping up. The shift to more industry self-monitoring, some believe, is questionable wisdom. However, Valentine points out, it is in an industry's best interest to maintain monitoring. A

certain number of years of good data is required for development purposes so as to prove that the area is clean enough for a polluting addition.

In contrast to a "maintenance" policy for the rest of the division, acid deposition work will be intensified during the 1983-85 biennium. The division was awarded \$291.3 million and one position for work towards adopting an acid deposition standard by 1985 and a control plan by 1986. The Legislative Commission on Minnesota Resources (LCMR) is augmenting this program with funding for a study of soil and watershed acidification.

The federal Clean Air Act amendments of 1977 are being reviewed in 1983. Changes to this Act may require that the state revise the State Implementation Plan, which was already approved by EPA in 1982, and make corresponding rule and permit changes. Minimally, this review is expected to modify programs associated with air toxic emissions and acid deposition.

#### SOLID AND HAZARDOUS WASTE

##### a. Budget overview: hazardous waste

With passage of the state superfund bill, the hazardous waste division has been assured of money for clean-up, operation and maintenance, and enforcement. Federal superfund money is also now being awarded at a 90:10, federal:state match for a limited number of selected national cleanups. In Minnesota, this includes money for work on the St. Louis Park Reilly Tar and Chemical site, which began in 1982. Staff and funding were

reallocated from the water quality division to this division in the current biennium because of the emphasis put on groundwater protection near disposal sites and other hazardous waste -related activities. Funding for the costs associated with the hazardous waste technical and permit rule hearings, deferred in fiscal year 1983 as part of the agency's budget reduction plan, were restored for fiscal year 1984. Finally, additional general fund resources, amounting to \$257,000 in fiscal year 1984 and \$537,400 in 1985, were appropriated to accommodate the hazardous waste program's increased workload. This money is to be covered by hazardous waste generator and facility fees collected for the biennium ending 30 June 1985.

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b. Program comments: hazardous waste.

As previously mentioned, the state will seek EPA authorization to institute its own hazardous waste program in lieu of the federal program during the 1983-85 biennium. This requires promulgating necessary statutory amendments, revising existing rules, and developing new land disposal rules. If authorized, having only one (state) regulatory entity will simplify a currently extensive regulatory effort. For one thing, the federal rules require large amounts of paperwork. But also, the state program should be more reflective of state concerns. The state, Dale Wikre says, is more directly involved with the generators and can address the problem comprehensively (type of waste, quantity, how managed), rather than piecemeal. The state intends to develop criteria for toxic substances, whereas EPA only has a list. Since funding for EPA research on pollution

sources and impacts has been cut, the federal government is also "falling behind" in adding new compounds to the toxics list. The state will have no small generator exemptions, nor will it allow hazardous wastes to be placed in solid waste landfills. However even with a state program, research on risks of carcinogenic compounds, a health question that is traditionally more within the domain of EPA, will be lacking.

a. Budget overview: solid waste

In contrast, the solid waste program has sharply reduced its efforts as a result of both state and federal cuts. The federal government has discontinued its financial assistance, believing the problem is more appropriately a state issue (although amendments do exist in both the Senate and House proposing 10 million for grant assistance). Dale Wikre, division director, agrees; although he notes that the state is only now formally recognizing the need, having previously focussed on the superfund legislation. Several bills were introduced - and are alive for action in the 1984 Minnesota session - creating a comparable fund for solid waste disposal, encouraging management alternatives, and providing authority.

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b. Program comments: solid waste.

Solid waste management is now becoming an increasingly important issue as landfills originally permitted in the late 1960s-early 1970s are nearing capacity. The significant commitment of land, water, and other resources needed under this method are being questioned. Advances in recycling and reuse technologies are raising viable options to landfilling.

This recognition, coupled with the elimination of federal funding, has caused the agency to reorder its existing resources so an effective statewide program can be maintained. The solid waste planning grant program (\$120 million/year) for counties to develop solid waste land disposal plans was discontinued; these resources were used to support the five positions that are currently authorized. These positions will then provide statewide technical assistance, PCA maintains, in lieu of financial assistance for a limited number of political subdivisions. The solid waste demonstration grant-in-aid program was discontinued in fiscal year 1983 as part of the 1981-83 budget reduction plan. These grants funded projects to demonstrate (low technology) alternatives to land disposal, including waste separation, processing and reduction. Because of resource limitations, and the knowledge and experience that has already been gained, no funding was requested to reinstitute the program. (The Waste Management Board also administers a grant program for solid waste planning, the objective of theirs being for high technology, e.g., incineration.)

The pressing need for solutions as the use of landfills becomes unfeasible, Dale Wikre believes, causes the local communities to still actively pursue waste planning. With less money, of course, the work is slower and threatens being of less quality. A limited number of qualified consultants are available, as the area is not typically a profitable business. The problem requires continual updating in planning technologies and procedures. EPA's withdrawal from the activity area

exacerbates the effort to keep up with what is going on, although this effect may only be felt in the long run.

In reviewing its current solid waste management programs, the agency hopes to create a new basis for implementation in the future. First priorities will be to develop a legislative position and to upgrade landfill rules. The program will evaluate expanding the existing landfills, siting new facilities, and improving the operation of facilities, and will investigate alternative solid waste management options.

## THE WASTE MANAGEMENT BOARD

The Waste Management Board (WMB) was created by the 1980 legislature to oversee state programs for effective long-range management of Minnesota's solid and hazardous wastes. The Board is responsible for developing a State Hazardous Waste Management Plan and for siting and/or promoting a variety of hazardous waste facilities. Under the 1980 Waste Management Act, it will cease to exist in June 1987. A draft of the Plan will be issued in November 1983 (for consideration by the Legislature during the 1984 session). Final "preferred areas" for hazardous waste processing facilities in the Twin Cities metro area were identified in August; eight areas outside the seven county area had already been designated in April 1982. In December 1982, four "candidate sites" for a hazardous waste disposal facility were selected. The Board is expected to designate two candidate sites for a crystalline bedrock disposal facility by spring 1984.

### a. Budget overview.

The WMB has an operating budget of approximately \$1 million a year to fund a staff of twenty-two and nine board members paid on a per diem basis. The board was not directly affected by federal budget cuts because its activities are all funded by the state. The board also has bond revenue budgets. These are flexible, within the total limits of spending. These budgets are developed in response to actual, known needs rather than projected needs, and are specifically limited to the siting programs, or to the demonstration grants and loans program.



## b. Program comments.

The Board does not anticipate much alteration in its budget from year to year. It absorbed last year's cut by using money set aside for consulting services and for county technical assistant. Last year, before the passage of the Superfund, there was some speculation that EPA's actions would affect the Board's activities. However, the Board believes that the effect, if any, is mainly in the area of public perception; the public may group together all agencies dealing with hazardous waste. The possibility exists that the board must account for any difference in Minnesota's and the EPA's specifications. Passage of the superfund helps to assure that the state will have the financial, statutory, and attitudinal means to manage its wastes properly.

A public conference on the Hazardous Waste Management Plan did, however, identify some concerns that the public has about the adequacy of existing regulatory or legal tools. This includes requirements for pretreatment or recycling of hazardous wastes, increased monitoring and enforcement of hazardous waste regulations, and exemptions of certain types of wastes or industries from regulation. Carole Ann Barth, research director for the Minnesota chapter of Citizens for a Better Environment, believes there is a special need for changes in regulations to prohibit the landfilling of certain wastes, and to mandate certain types of treatment of specific wastes. These policy questions will all be addressed in the Hazardous Waste Management Plan. In only limited instances are they questions of adequate resources and enforcement.

## THE DEPARTMENT OF HEALTH

The Water Supply and General Engineering Section, within the Health Department's Division of Environmental Health, is responsible for monitoring and controlling potential contaminants of the water supply as mandated by the Safe Drinking Water Act. Work is done in the areas of public and private water supplies, public swimming places, soil absorption sewage disposal, water conditioning, plumbing systems, groundwater quality control, well construction, and mineral exploration. Specific tasks performed by the section include setting of standards, plan review, construction control, surveillance, report-writing, licensing, training, and consultation.

Last year the section was approaching a point where further improvements in the efficiency of the operation were no longer possible. Any shortfalls within the program would result in suspending some work activities. Alternative cost-saving measures had been exhausted. Added program responsibilities without additional legislative funding required that the section adjust programs and priorities and absorb new programs into existing budgets. Cuts in the Department of Health's laboratory services affect not only laboratory work done for the Water Supply and General Engineering Section, but also the work of other state agencies (PCA, Dept. of Agriculture) that must set health standards and determine health risks.

## HEALTH TABLE

## a. Budget overview.

The Section requested a general fund budget that reflects the "same" level of effort as in fiscal year 1983. In order to maintain the existing level of effort, \$793,743 will be required during 1984 and \$852,500 during 1985. However, the federal allocation is anticipated to be only \$445,000 for each of these years. The resulting shortfall of \$348,743 and \$407,500, respectively, will necessitate eliminating 10-13 of the existing 26 positions funded by this source. Already for 1984, however, money can be gathered from other sources, including carryover department monies from previous years and unspent federal funds divided among the states. Funding from LCMR was successfully requested for initiating an organic chemical survey of community public water supplies.

## b. Program comments.

In response to 1982 state and federal budget reductions, alternative cost-saving measures have already been exhausted. This included eliminating one engineer and two clerical positions, electing not to fill vacancies, moving to a more automated clerical system, instituting automated samples and double shifts, mailing the newsletters as a stuffer to other department mailings (e.g., license renew notices) to save postage, cutting telephone time with consumers over questions about their wells by creating a consumer pamphlet, and developing training packages for utilities and others to reduce direct involvement. The section has 10-15 memorandum of understanding with various cities, counties and the federal government to have

them survey small water supply facilities as part of their other programs. In total, these agreements cover about 1000 of the 12,000 systems that have to be regulated. Most services not mandatory under the provisions of the Safe Drinking Water Act have been eliminated.

The 1983 Legislature mandated that the Health Department charge community water supplies a fee for those analyses required by the Safe Drinking Water Regulations, which are performed by the Department of Health's Laboratory. Water quality services are now provided only at the utilities' requests; however the change may mean they will be more willing to send in samples in order to make the most out of a hefty fee.

Program responsibilities have been added under the Superfund Act. While the department may be theoretically reimbursed for these, the workload is added to the section's already pressured staff. If caught short, PCA will have to provide the manpower.

## LEGISLATIVE COMMISSION ON MINNESOTA RESOURCES

The Legislative Commission on Minnesota Resources (LCMR) is an advisory, oversight, and monitoring body for the legislature. It recommends legislative appropriations for natural resource programs and closely monitors those programs with statutory authority. In most cases, the commission recommends that appropriations be provided from the Natural Resources Account, which receives income from several sources. Eleven percent of the cigarette tax is deposited in the General Fund and specified by appropriations laws to support the Natural Resources Account. The second income source for LCMR consists of federal reimbursements for state expenditures on preserving, acquiring, and developing outdoor recreation resources. This source, the federal Land and Water Conservation Funds (LAWCON), covers 50 percent of the cost of outdoor recreation projects. In Minnesota, 50 percent of this money was used on state projects, such as state parks and trails, and 50 percent was distributed to local governments.

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### a. Budget overview.

In response to the 1982 revenue shortfall, the LCMR recommended reductions of \$3,922,900 from its appropriations. By and large these cuts mean delayed progress in certain programs. The members chose to cut money selectively rather than across the board. This process eliminated part or all of some programs,

while preserving the integrity of most programs. For example, some of the difference was made up by phasing the funding of larger projects over more years, reducing the amount required in each individual biennium (e.g., the aeromagnetic study of the state, and the accelerated detailed soil survey).

The biggest cuts were from recreational grants, and this category represents one trend that may persist. The Reagan administration has attempted to drastically reduce LAWCON funds, if not cease them permanently. Yet, the committee believed that the requisite matching local monies would not be as readily available either, given the fiscal strains these communities were experiencing. Initiated originally to match the available federal dollars, the program for local recreational grants has been reduced from \$8 million to \$3.5 million. LCMR also cut back drastically on state parks acquisition and development, believing that the focus should be on maintenance of existing facilities.

b. Program comments.

The 1983 legislature approved the recommendations of the LCMR for a number of groundwater studies. It also approved LCMR funds to go to the PCA for acid precipitation studies. DNR sought unsuccessfully to have several planning and research projects, such as the Wild and Scenic Rivers program, become a permanent part of the department's general fund; instead, they must be put forth again as proposals before LCMR in the next biennium.

LCMR TABLE



## DEPARTMENT OF NATURAL RESOURCES

The Department of Natural Resources (DNR) is responsible for the administration of the public lands, parks, forests, waters, and minerals of the state as well as for the regulation of a broad range of activities which affect natural resources. Last year's budget cuts reduced the agency's efficacy, although DNR still tried to provide basic services. The DNR had prepared for the cuts in part by holding vacant positions. Forestry found it more difficult to meet their targets. The parks division was described as being "cut down to the bare bones." The 1983 legislature, Deputy Commissioner Thorne believes, was one quite favorable for DNR - in large part due to the efforts of environmental groups. Still, the benefits were spread selectively within the department.

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### a. Budget overview.

DNR's 1984-85 budget does not reflect increases in general funding nor in levels of effort for all its various activities across the board. Nearly 65 percent of the change from 1983-84 budget is attributable to requests against special "dedicated" funds (Game and Fish Fund, State Park Operation, Forest Management Account, and Snowmobile Trails and Enforcement Account) or requests for specific projects from the Legislative Commission on Minnesota's Resources (LCMR). Some of the apparent increase in the budget also represents existing, ongoing programs whose funding sources have simply been transferred from the LCMR or the Iron Range Resources and Rehabilitation Board (IRRRB) to the General Fund Support.

DNR TABLE

Funds for expanded program initiatives, workload increases, cost increases, or partial restoration of the December 1982 budget reductions are largely limited to targeted activities within the Minerals Division and the Forestry Division. These are test drilling and various research activities in the minerals division; and mandated activities under the new Forest Resource Management Act, fire suppression, and restoration of the state Forest Management Intensification Program in the forestry division. Also, maintenance funds for the repair and maintenance of state-owned facilities were restored to the appropriate departments. These increases represent the Governor's priorities for those activities which contribute to the economic development of the state or protect the state's current investments. The Governor also recommended increases in park user fees and boat registration fees.

In addition to providing department funding, the appropriations bill this session also provided for a number of program changes. The annual appropriation permit processing fee was changed from a flat \$5 to a sliding scale based on irrigated acreage or millions of gallons permitted. The basic permit application fee was increased from \$15 to \$30. The revenues generated from this fee increase will be used to improve groundwater management and the processing of water appropriation information. User fees for cross-country skiers and a pheasant stamp were instituted, as were an increase in the license fees for fishhouses and a surcharge on fishing licenses. Receipts from car entry permits and other park fees are dedicated to park

maintenance and operation. This expected revenue - and some doubt that the cross-country fee can be successfully implemented - can be spent only for projects consistent with the purposes of the dedicated accounts.

The trend towards more dedicated funds is said to be indirectly related to the budget cuts and the concern of various use groups to protect their interests. The theory behind the funds is one akin to special use areas; the people who use them should pay for them. In addition to the cross-country skiing and fishing fees, past legislatures created dedicated funds for the development, administration, and maintenance of snowmobile trails, deer habitat management, deer and bear management, trout stream management, lake improvement projects, nongame wildlife planning, waterfowl habitat improvement, and water access projects. Several of these funds support related grants programs to local governments. Most of the concerns raised about this trend - that administrative burden increases, that some user fees are difficult to enforce or may drive people away from public lands, and that user fees can be carried to an extreme - are considered by the Department to be only minor objections.

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b. Program comments.

Apart from these dedicated funds, then, operating budgets largely support the same reduced level of effort resulting from the budget reductions of 1982-83. In the case of forestry and minerals, some activities were merely postponed, "house-keeping" monies lost, and payment of bills delayed.

In other sections within the Department, the results are more

mixed. The budget may result in a drastic curtailment of essential education and information services, reduced efforts to develop and maintain recreational areas on state forest land, shorter operational park seasons, reductions and early layoffs in seasonal park staff, park program reductions, staff cuts on the Minnesota Environmental Education Board, and delayed implementation of several programs such as the Shoreland Evaluation Program. While park funds were restored for health, safety, and emergency needs and for maintenance efforts, the department must concentrate its resources in those parks having the highest public use.

c. Federal assistance programs

A variety of DNR programs are funded directly by the federal government. These were reported last year as having experienced major setbacks as a result of federal budget cuts. This year, it seems, that conclusion is not uniformly applicable.

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Rural Community Fire Protection Program

Federal funds are used with a 50 percent match from the rural fire departments to provide assistance to the communities under 10,000 for preventing and suppressing fires. The forestry division receives 10 percent for administrative purposes. Many of these small fire departments are in a constant struggle for securing funding and are now only able to maintain existing services. Most are in communities which have a very limited and sometimes erratic tax base from which they attempt to sustain reliable yearly revenue. Higher maintenance and replacement costs, governmental mandates for increased individual training,

and higher standards of safety equipment are causing most departments a financial burden beyond which they can afford. The 1984 request restores funding to the level in 1980.

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#### Dutch Elm Disease Program and Urban Forest Management

The intent of Minnesota federally funded program was to demonstrate the effectiveness of known disease management practices. The grant portion of the Program was terminated in fiscal year 1982. It should be noted that other related programs have also been cut: the state Department of Agriculture's Shade Tree Program and the activities of the University of Minnesota's Agricultural Extension Service in shade tree planting, urban forestry, and plant pathology. The Urban Forest Management Program was also eliminated from the federal budget during fiscal year 1982, although DNR still maintains one staff person, and it is hoped that the program will expand in the future.

#### Federal Boundary Waters Canoe Area Forestry Intensification Program

These funds have been authorized for eleven years (1980-1990) at \$3 million annually. The funds provide for accelerated reforestation, management, and technical assistance for state, county, and nonindustrial private forest lands. Congress has appropriated these funds to Minnesota during the 1982-83 biennium, and prospects are excellent for continued funding through the 1984-85 biennium.

#### Young Adult Conservation Corps and Youth Conservation Corps

The Minnesota Conservation Corps (MCC) is replacing the former federal Young Adult Conservation Corps (YACC) and Youth

Conservation Corps (YCC) programs. The YACC was 100 percent federally funded, while the YCC program received federal matching grants. The federal funding has been eliminated for both programs, although the House has proposed 2.7 million for 1984. The loss would be over 1500,00 in federal funding over the next biennium. The loss translates into nearly a 70 percent decrease in the number of youth DNR is able to serve. In addition to providing a valuable work and environmental experience for youth and young adults, important management, maintenance, and improvement work is accomplished for trails, forestry, wildlife, and water programs. Over the last biennium, the programs have accomplished over \$2,180,000 worth of conservation work, a return of \$1.14 for every dollar spent.

In addition to these established federal programs, the federal government supported several research or technical assistance projects in the past. A high level of funding was provided by the U.S. Geological Survey and the LCMR for specific data collection and data base development projects. The federal funding is being reduced and will be eliminated during the 1983-85 biennium. LCMR funding for data system projects in the division will also be eliminated.

The federal contribution to flood damage reduction has been gradually declining. Concurrent with this decline is an emphasis that state and local government must pay a greater share of flood damage reduction and disaster assistance costs. Recently the federal government has initiated a cost-sharing emphasis by requesting four Minnesota flood control project sponsors

(Rochester, and Bassett Creek, Roseau River, and Wild Rice River watershed districts) to provide 35 percent cost sharing for the project. To keep the projects moving towards construction, these sponsors have at least tentatively accepted the challenge. It is anticipated they will approach the legislature for state assistance.



## CONCLUDING REMARKS

As stated in the beginning, it appears that the state did not automatically replace all monies lost with federal cutbacks. Agencies have become conservative in preparing future workplans, are needing to justify their practices, and are seriously evaluating alternatives. In addition to the agencies more actively and seriously prioritizing budgeted activities, this year's budget process suggests other trends; however, their relation to changes in federal programs and assistance is less clear. The aforementioned superfund and acid rain fund are only two of a number of dedicated funds and special user fees, evolving as the public lobbies hard for its priority issues. Secondly, several grants-in-aids programs to local units of government have been eliminated or reduced. In most instances, these units of government are not in a position to replace federal expenditures for environmental protection or for establishment of regulatory standards. Indeed, we should remember that it was the failure or inaction of some state and local governments that first led to federal intervention.

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